

Message Text

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C O N F I D E N T I A L QUITO 1059

LIMDIS

E.O. 11652: GDS

TAGS: ENRG EC

SUBJECT: TEXACO-GULF OFFER TO SELL OUT IN ECUADOR

REF: QUITO 0900

1. SUMMARY: ON FEBRUARY 4 TEXACO AND GULF OFFICIALS INFORMED AMBASSADOR THAT THEY HAD RESPONDED TO ULTIMATUM PRESENTED TO THEM THE PREVIOUS WEEK (SEE REFTEL) BY RE-SOURCES MINISTER VARGAS BY OFFERING TO SELL OUT NOW 100 PERCENT OF THEIR ASSETS IN ECUADOR TO THE GOE. THE OFFICER WAS MADE ON FEBRUARY 4 DIRECTLY TO THE THREE-MAN SUPREME COUNCIL. THE COUNCIL TURNED THE OFFER DOWN AND INSTEAD SUGGESTED "HIGH LEVEL" TALKS NOW SCHEDULED TO BEGIN FEBRUARY 6. END SUMMARY.

2. AMBASSADOR BREWSTER AND DCM MET WITH FOLLOWING OFFICIALS OF TEXACO AND GULF ON FEBRUARY 4: ROBERT SHIELDS, TEXACO VICE PRESIDENT FOR LATIN AMERICA; PHILIP WYCHE, GULF, LATIN AMERICA; MAX CRAWFORD, TEXACO, LATIN AMERICA; MICHAEL MARTINEZ, MANAGER TEXACO, ECUADOR; AND JACK O'BRIEN, MANAGER GULF, ECUADOR.

3. SHIELDS OPENED THE CONVERSATION BY SAYING HE AND WYCHE HAD JUST ARRIVED FROM THE U.S. FOR THE SOLE PURPOSE
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OF SPEAKING TO SUPREME COUNCIL OF GOVERNMENT ABOUT THE

PRESENT SITUATION OF TEXACO AND GULF IN ECUADOR. THEY CALLED ON THE COUNCIL LATE AFTERNOON FEBRUARY 4. AS SOON AS AMENITIES WERE OVER, SHIELDS TOLD COUNCIL THAT TEXACO AND GULF HAD HAD SEVERAL YEARS OF EXPERIENCE WORKING IN ECUADOR AND THAT UNFORTUNATELY SOME OF THE MAJOR PROBLEMS DID NOT SEEM TO FIND A SATISFACTORY RESOLUTION. THEREFORE, SPEAKING FOR BOTH COMPANIES, SHIELDS OFFERED THE ECUADOREAN GOVERNMENT THE OPPORTUNITY TO TAKE OVER 100 PERCENT OF THE TEXACO-GULF INVESTMENT IN ECUADOR. THE OFFER WAS COMBINED WITH A STATEMENT OF TEXACO AND GULF'S WILLINGNESS TO CONTINUE TO OPERATE THE FIELDS AND PIPELINE FOR ECUADOR ON A FEE OR SERVICE BASIS AND TO HELP MARKET ECUADOR CRUDE.

4. ADMIRAL POVEDA REPORTEDLY ACTED AS SPOKESMAN FOR THE COUNCIL. ACCORDING TO SHIELDS, HIS REACTION WAS A RATHER FAST "GOD NO, ECUADOR DOES NOT WANT NOR HAS IT THE CAPACITY TO TAKE OVER THE ENTIRE OPERATION NOW." ADMIRAL POVEDA REPORTEDLY SUGGESTED THAT, AS AN ALTERNATIVE, "HIGH LEVEL" TALKS BEGIN IMMEDIATELY WITH TEXACO AND GULF. CONSEQUENTLY THE LOCAL TEXACO AND GULF MANAGERS ARE TO MEET WITH AS YET UNDETERMINED GOE OFFICIALS BEGINNING FEBRUARY 6 WITH GENERAL DURAN, THE ARMY MEMBER OF THE COUNCIL, ACTION AS MODERATOR.

5. SHIELDS AND WYCHE TOLD THE AMBASSADOR THAT THEY WERE SERIOUS IN THIS OFFER, THAT IT WAS NOT A BLUFF. THEY HAD KNOWN BEFOREHAND THAT THE COUNCIL DID NOT WANT TO HEAR OF AN OFFER TO TURN OVER 100 PERCENT OF THE CONSORTIUM ACTIVITY TO ECUADOR AND, IN FACT, ADMIRAL POVEDA HAD USED TEXACO VICE MANAGER RENE BUCARAM TO CARRY THIS MESSAGE BACK TO THE COMPANIES BEFORE THEY CALLED ON THE COUNCIL. SHIELDS HAD THEREFORE DECIDED TO MAKE THE OFFER IMMEDIATELY AND NOT TO WAIT FOR THE COUNCIL TO EXCLUDE DISCUSSION OF SUCH AN OFFER.

6. SHIELDS SAID THAT THEY HAD NOT GONE TO SEE RESOURCES MINISTER VARGAS BECAUSE THERE WAS NO POINT IN IT. IT WAS VARGAS WHO HAD GIVEN THEM THE LATEST ULTIMATUM (SEE QUITO 0900), AND THEREFORE THE ONLY RECOURSE WAS CONFIDENTIAL

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TO GO OVER HIS HEAD AND QUICKLY. THERE WAS SOME DISCUSSION ON PART OF TEXACO-GULF OFFICIALS AS TO WHETHER VARGAS HAD PRESENTED THE ULTIMATUM ON HIS OWN AUTHORITY OR WHETHER HE HAD BEEN ORDERED TO SQUEEZE TEXACO AND GULF AND IF SO, BY WHOM. THEY SPECULATED THAT DURAN MIGHT HAVE ISSUED THE ORDER TO SQUEEZE AND THAT VARGAS HAD GONE A LITTLE TOO FAR.

7. COMMENT: THE NEXT WEEKS MAY WELL BE CRITICAL FOR
THE FUTURE OF TEXACO AND GULF OPERATIONS IN ECQUADOR,
AT LEAST IN THEIR PRESENT FORM.
BREWSTER

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